

UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF PENNSYLVANIA

In re KidsPeace National Centers of North America, Inc.

Case No. 13-14516 - Jointly Administered 13-14508  
Reporting Period: 5/21/13-6/30/13

MONTHLY OPERATING REPORT  
File with Court and submit copy to United States Trustee within 20 days after end of month.

Submit copy of report to any official committee appointed in the case.

| REQUIRED DOCUMENTS   | Form No. | Document Attached | Explanation Attached                                       | Affidavit/Supplement Attached |
|--|----------|-------------------|--|-------------------------------|
| Schedule of Cash Receipts and Disbursements                      | MOR-1    | x                 |  |                               |
| Bank Reconciliation (or copies of debtor's bank reconciliations) | MOR-1a   | x                 |  |                               |
| Schedule of Professional Fees Paid                               | MOR-1b   | x                 |  |                               |
| Copies of bank statements  |          | x                 | (KP Corp. operating account only, per discussion with UST) |                               |
| Cash disbursements journals                                      |          | x                 | (provided directly to UST & professionals)                 |                               |
| Statement of Operations  | MOR-2    | x                 |  |                               |
| Balance Sheet  | MOR-3    | x                 |  |                               |
| Status of Postpetition Taxes                                     | MOR-4    | x                 |  |                               |
| Copies of IRS Form 6123 or payment receipt                       |          | NA                |  |                               |
| Copies of tax returns filed during reporting period              |          | NA                |  |                               |
| Summary of Unpaid Postpetition Debts                             | MOR-4    | x                 |  |                               |
| Listing of aged accounts payable                                 | MOR-4    | x                 |  |                               |
| Accounts Receivable Reconciliation and Aging                     | MOR-5    | x                 |  |                               |
| Debtor Questionnaire   | MOR-5    | x                 |  |                               |

I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.

\_\_\_\_\_  
Signature of Debtor

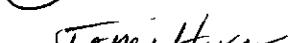
\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Joint Debtor

\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Signature of Authorized Individual\*

7-24-13  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Printed Name of Authorized Individual

7-24-13  
\_\_\_\_\_  
Title of Authorized Individual

\*Authorized individual must be an officer, director or shareholder if debtor is a corporation; a partner if debtor is a partnership; a manager or member if debtor is a limited liability company.

UNITED STATES BANKRUPTCY COURT  
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In re KidsPeace National Centers of NA, Inc.

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| Schedule of Cash Receipts and Disbursements                      | MOR-1    | x                 |   |                               |
| Bank Reconciliation (or copies of debtor's bank reconciliations) | MOR-1a   | x                 |   |                               |
| Schedule of Professional Fees Paid                               | MOR-1b   | x                 |   |                               |
| Copies of bank statements  |          | x                 | (Corp. operating account only, per discussion with UST) |                               |
| Cash disbursements journals                                      |          | x                 | (provided directly to UST & professionals)              |                               |
| Statement of Operations  | MOR-2    | x                 |   |                               |
| Balance Sheet  | MOR-3    | x                 |   |                               |
| Status of Postpetition Taxes                                     | MOR-4    | x                 |   |                               |
| Copies of IRS Form 6123 or payment receipt                       |          | NA                |   |                               |
| Copies of tax returns filed during reporting period              |          | NA                |   |                               |
| Summary of Unpaid Postpetition Debts                             | MOR-4    | x                 |   |                               |
| Listing of aged accounts payable                                 | MOR-4    | x                 |   |                               |
| Accounts Receivable Reconciliation and Aging                     | MOR-5    | x                 |   |                               |
| Debtor Questionnaire   | MOR-5    | x                 |   |                               |

I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.

\_\_\_\_\_  
Signature of Debtor

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Joint Debtor

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Authorized Individual\*

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name of Authorized Individual

\_\_\_\_\_  
Title of Authorized Individual

\*Authorized individual must be an officer, director or shareholder if debtor is a corporation; a partner if debtor is a partnership; a manager or member if debtor is a limited liability company.

In re KidsPeace National Centers of NA, Inc.  
Debtor

Case No. 13-14516 - Jointly Administered 13-14508  
Reporting Period: 5/21/13-6/30/13

## SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Amounts reported should be per the debtor's books, not the bank statement. The beginning cash should be the ending cash from the prior month or, if this is the first report, the amount should be the balance on the date the petition was filed. The amounts reported in the "CURRENT MONTH - ACTUAL" column must equal the sum of the four bank account columns. The amounts reported in the "PROJECTED" columns should be taken from the SMALL BUSINESS INITIAL REPORT (FORM IR-1) . Attach copies of the bank statements and the cash disbursements journal. The total disbursements listed in the disbursements journal must equal the total disbursements reported on this page. A bank reconciliation must be attached for each account. [See MOR-1 (CONT)]

|                                | BANK ACCOUNTS |         |     |       | CURRENT MONTH | CUMULATIVE FILING TO DATE |        |           |
|--------------------------------|---------------|---------|-----|-------|---------------|---------------------------|--------|-----------|
|                                | OPER.         | PAYROLL | TAX | OTHER | ACTUAL        | PROJECTED                 | ACTUAL | PROJECTED |
| <b>CASH BEGINNING OF MONTH</b> |               |         |     |       | 0             |                           | 0      |           |
| <b>RECEIPTS</b>                |               |         |     |       |               |                           |        |           |
| CASH SALES                     |               |         |     |       |               |                           |        |           |
| ACCOUNTS RECEIVABLE            |               |         |     |       |               |                           |        |           |
| LOANS AND ADVANCES             |               |         |     |       |               |                           |        |           |
| SALE OF ASSETS                 |               |         |     |       |               |                           |        |           |
| OTHER (ATTACH LIST)            |               |         |     |       |               |                           |        |           |
| TRANSFERS (FROM DIP ACCTS)     |               |         |     |       |               |                           |        |           |
| <b>TOTAL RECEIPTS</b>          |               |         |     |       |               |                           |        |           |
| <b>DISBURSEMENTS</b>           |               |         |     |       |               |                           |        |           |
| NET PAYROLL                    |               |         |     |       |               |                           |        |           |
| PAYROLL TAXES                  |               |         |     |       |               |                           |        |           |
| SALES, USE, & OTHER TAXES      |               |         |     |       |               |                           |        |           |
| INVENTORY PURCHASES            |               |         |     |       |               |                           |        |           |
| SECURED/ RENTAL/ LEASES        |               |         |     |       |               |                           |        |           |
| INSURANCE                      |               |         |     |       |               |                           |        |           |
| ADMINISTRATIVE                 |               |         |     |       |               |                           |        |           |
| SELLING                        |               |         |     |       |               |                           |        |           |
| OTHER (ATTACH LIST)            |               |         |     |       |               |                           |        |           |
| Health/Medical/WorkersComp     |               |         |     |       |               |                           |        |           |
| OWNER DRAW *                   |               |         |     |       |               |                           |        |           |
| TRANSFERS (TO DIP ACCTS)       |               |         |     |       |               |                           |        |           |
| OTHER ACCOUNTS PAYABLE         |               |         |     |       |               |                           |        |           |
| PROFESSIONAL FEES              |               |         |     |       |               |                           |        |           |
| U.S. TRUSTEE QUARTERLY FEES    |               |         |     |       |               |                           |        |           |
| COURT COSTS                    |               |         |     |       |               |                           |        |           |
| <b>TOTAL DISBURSEMENTS</b>     |               |         |     |       |               |                           |        |           |
| NET CASH FLOW                  |               |         |     |       |               |                           |        |           |
| (RECEIPTS LESS DISBURSEMENTS)  |               |         |     |       |               |                           |        |           |
| <b>CASH - END OF MONTH</b>     |               |         |     |       |               |                           |        |           |

\* COMPENSATION TO SOLE PROPRIETORS FOR SERVICES RENDERED TO BANKRUPTCY ESTATE

### THE FOLLOWING SECTION MUST BE COMPLETED

| DISBURSEMENTS FOR CALCULATING U.S. TRUSTEE QUARTERLY FEES: (FROM CURRENT MONTH ACTUAL COLUMN) |    |
|---|----|
| <b>TOTAL DISBURSEMENTS (Consolidated)</b>   | -  |
| LESS: TRANSFERS TO DEBTOR IN POSSESSION ACCOUNTS  | \$ |
| PLUS: ESTATE DISBURSEMENTS MADE BY OUTSIDE SOURCES (i.e. from escrow accounts)                | \$ |
| <b>TOTAL DISBURSEMENTS FOR CALCULATING U.S. TRUSTEE QUARTERLY FEES</b>                        | \$ |

|                            |  |            |
|----------------------------|--|------------|
| For Quarterly Fee Purposes | Disbursements (based on allocation reviewed with US Trustee) |            |
|                            | KidsPeace Corporate  | 9,872,750  |
|                            | KidsPeace NewEngland   | 1,550,538  |
|                            | KidsPeace Georgia  | 559,742    |
|                            | KidsPeace Mesabi   | 770,173    |
|                            | KidsPeace Hospital   | 0          |
|                            | KidsPeace National Centers                                   | 0          |
|                            | KidsPeace National Centers North Am                          | 0          |
|                            | KidsPeace Iron Range   | 0          |
|                            | KidsPeace New York   | 0          |
| Total                      |  | 12,753,203 |

In re KidsPeace National Centers of NA, Inc.  
Debtor

Case No. 13-14516 - Jointly Administered 13-14508  
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## **BANK RECONCILIATIONS**

## **Continuation Sheet for MOR-1**

A bank reconciliation must be included for each bank account. The debtor's bank reconciliation may be substituted for this page.

In re KidsPeace National Centers of NA, Inc.  
Debtor

Case No. 13-14516 - Jointly Administered 13-145  
Reporting Period: 5/21/13-6/30/13

## **SCHEDULE OF PROFESSIONAL FEES AND EXPENSES PAID**

This schedule is to include all retained professional payments from case inception to current month.

In re KidsPeace National Centers of NA, Inc.  
Debtor

Case No. 13-14516 - Jointly Administered 13-14508  
Reporting Period: May '13 - June '13

**STATEMENT OF OPERATIONS**  
(Income Statement)

The Statement of Operations is to be prepared on an accrual basis. The accrual basis of accounting recognizes revenue when it is realized and expenses when they are incurred, regardless of when cash is actually received or paid.

|  | May '13   | June '13  | Cumulative<br>Filing to Date |
|--|-----------|-----------|------------------------------|
| <b>REVENUES</b>  |           |           |                              |
| Gross Revenues   | \$        | \$        | \$                           |
| Less: Returns and Allowances   |           |           |                              |
| Net Revenue  | 1,548,802 | 1,430,645 | 1,430,645                    |
| <b>COST OF GOODS SOLD</b>  |           |           |                              |
| Beginning Inventory  |           |           |                              |
| Add: Purchases   |           |           |                              |
| Add: Cost of Labor   |           |           |                              |
| Add: Other Costs (attach schedule)   |           |           |                              |
| Less: Ending Inventory   |           |           |                              |
| Cost of Goods Sold   |           |           |                              |
| Gross Profit   |           |           |                              |
| <b>OPERATING EXPENSES</b>  |           |           |                              |
| Advertising  |           |           |                              |
| Auto and Truck Expense   |           |           |                              |
| Bad Debts  | 0         | 0         | 0                            |
| Contributions-Non-Restructuring Professional Fees                            | 11,023    | 12,134    | 12,134                       |
| Employee Benefits Programs   | 45,453    | 67,969    | 67,969                       |
| Insider Compensation*  |           |           | 0                            |
| Insurance  | 0         | 0         | 0                            |
| Management Fees/Bonuses  |           |           | 0                            |
| Office Expense-Direct Family Costs   | 590,243   | 585,340   | 585,340                      |
| Pension & Profit-Sharing Plans   |           |           | 0                            |
| Repairs and Maintenance  | 1,017     | 1,375     | 1,375                        |
| Rent and Lease Expense   | 51,783    | 59,685    | 59,685                       |
| Salaries/Commissions/Fees  | 435,411   | 446,878   | 446,878                      |
| Supplies   | 13,285    | 9,454     | 9,454                        |
| Taxes - Payroll  | 33,884    | 37,253    | 37,253                       |
| Taxes - Real Estate  |           |           | 0                            |
| Taxes - Other  |           |           | 0                            |
| Travel and Entertainment   |           |           | 0                            |
| Utilities  | 13,212    | 18,022    | 18,022                       |
| Other (attach schedule)  | 72,962    | 60,787    | 60,787                       |
| Total Operating Expenses Before Depreciation                                 |           |           | 0                            |
| Depreciation/Depletion/Amortization  | 0         | 0         | 0                            |
| Net Profit (Loss) Before Other Income & Expenses                             | 280,529   | 131,748   | 131,748                      |
| <b>OTHER INCOME AND EXPENSES</b>   |           |           |                              |
| Other Income (attach schedule)-Intercompany                                  | 307,727   | 256,611   | 256,611                      |
| Interest Expense   | 0         | 0         | 0                            |
| Other Expense (attach schedule)  | 0         | 0         | 0                            |
| Net Profit (Loss) Before Reorganization Items                                | -27,198   | -124,863  | -124,863                     |
| <b>REORGANIZATION ITEMS</b>  |           |           |                              |
| Professional Fees  |           |           | 0                            |
| U. S. Trustee Quarterly Fees   |           |           | 0                            |
| Interest Earned on Accumulated Cash from Chapter 11 (see continuation sheet) |           |           | 0                            |
| Gain (Loss) from Sale of Equipment   | 0         | 0         | 0                            |
| Other Reorganization Expenses (attach schedule)                              |           |           | 0                            |
| Total Reorganization Expenses  |           |           | 0                            |
| Income Taxes   |           |           | 0                            |
| Net Profit (Loss)  | -27,198   | -124,863  | -124,863                     |

\*\*"Insider" is defined in 11 U.S.C. Section 101(31).

In re KidsPeace National Centers of NA, Inc.  
Debtor

Case No. 13-14516 - Jointly Administered 13-14508  
Reporting Period: June '13

## BALANCE SHEET

The Balance Sheet is to be completed on an accrual basis only. Pre-petition liabilities must be classified separately from postpetition obligations.

| ASSETS   | BOOK VALUE AT END OF<br>CURRENT REPORTING MONTH<br>June '13 | BOOK VALUE ON<br>PETITION DATE<br>May '13 (May 31st) |
|--|---|--|
|  |   |  |
| <b>CURRENT ASSETS</b>  |   |  |
| Unrestricted Cash and Equivalents  | 7,927.16  | 8,257.39   |
| Restricted Cash and Cash Equivalents (see continuation sheet)                | 0.00  | 0.00   |
| Accounts Receivable (Net)  | 4,028,292.52  | 4,197,939.78   |
| Notes Receivable   |   |  |
| Inventories  | 0.00  | 0.00   |
| Prepaid Expenses   | 15,311.02   | 14,960.74  |
| Professional Retainers   |   |  |
| Assets held for sale   | 0.00  | 0.00   |
| Other Current Assets (due from affiliate)                                    |   |  |
| <b>TOTAL CURRENT ASSETS</b>  | <b>4,051,530.70</b>   | <b>4,221,157.91</b>                                  |
| <b>PROPERTY AND EQUIPMENT</b>  |   |  |
| Real Property and Improvements   | 0.00  | 0.00   |
| Machinery and Equipment  |   |  |
| Furniture, Fixtures and Office Equipment                                     | 0.00  | 0.00   |
| Leasehold Improvements   |   |  |
| Vehicles   |   |  |
| Less Accumulated Depreciation  | 0.00  | 0.00   |
| <b>TOTAL PROPERTY &amp; EQUIPMENT</b>  | <b>0.00</b>   | <b>0.00</b>  |
| <b>OTHER ASSETS</b>  |   |  |
| Loans to Insiders*   |   |  |
| Other Assets (due from affiliate, insurance receivable, bond issuance costs) | 0.00  | 0.00   |
| <b>TOTAL OTHER ASSETS</b>  | <b>0.00</b>   | <b>0.00</b>  |
| <b>TOTAL ASSETS</b>  | <b>4,051,530.70</b>   | <b>4,221,157.91</b>                                  |

| LIABILITIES AND OWNER EQUITY   | BOOK VALUE AT END OF<br>CURRENT REPORTING MONTH | BOOK VALUE ON<br>PETITION DATE |
|--|---|--------------------------------|
|  |   |                                |
| <b>LIABILITIES NOT SUBJECT TO COMPROMISE (Postpetition)</b>          |   |                                |
| Accounts Payable   | 0.00  | 0.00                           |
| Taxes Payable (refer to FORM MOR-4)                                  | 60,226.00                                       | 0.00                           |
| Wages Payable  | 240,382.00                                      | 0.00                           |
| Notes Payable  |   |                                |
| Rent / Leases - Building/Equipment                                   |   |                                |
| Secured Debt / Adequate Protection Payments                          |   |                                |
| Professional Fees  |   |                                |
| Amounts Due to Insiders*   |   |                                |
| Other Postpetition Liabilities (attach schedule)                     | 329,121.00                                      |                                |
| <b>TOTAL POSTPETITION LIABILITIES</b>                                | <b>629,729.00</b>                               | <b>0.00</b>                    |
| <b>LIABILITIES SUBJECT TO COMPROMISE (Pre-Petition)</b>              |   |                                |
| Secured Debt   | 0.00  | 0.00                           |
| Priority Debt  | 0.26  | 257,314.52                     |
| Unsecured Debt   | 10,460,056.73                                   | 10,877,236.80                  |
| <b>TOTAL PRE-PETITION LIABILITIES</b>                                | <b>10,460,056.99</b>                            | <b>11,134,551.32</b>           |
| <b>TOTAL LIABILITIES</b>   | <b>11,089,785.99</b>                            | <b>11,134,551.32</b>           |
| <b>OWNER EQUITY</b>  |   |                                |
| Capital Stock  |   |                                |
| Additional Paid-In Capital   |   |                                |
| Partners' Capital Account  |   |                                |
| Owner's Equity Account   |   |                                |
| Retained Earnings - Pre-Petition                                     | -7,038,255.29                                   | -6,913,393.41                  |
| Retained Earnings - Postpetition                                     |   |                                |
| Adjustments to Owner Equity (attach schedule)                        |   |                                |
| Postpetition Contributions (Distributions) (Draws) (attach schedule) |   |                                |
| <b>NET OWNER EQUITY</b>  | <b>-7,038,255.29</b>                            | <b>-6,913,393.41</b>           |
| <b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>                          | <b>4,051,530.70</b>                             | <b>4,221,157.91</b>            |

\*"Insider" is defined in 11 U.S.C. Section 101(31).

In re KidsPeace National Centers of NA, Inc.  
Debtor

Case No. 13-14516 - Jointly Administered 13-14508  
Reporting Period: 5/21/13-6/30/13

### STATUS OF POSTPETITION TAXES

The beginning tax liability should be the ending liability from the prior month or, if this is the first report, the amount should be zero.  
Attach photocopies of IRS Form 6123 or payment receipt to verify payment or deposit of federal payroll taxes.  
Attach photocopies of any tax returns filed during the reporting period.

|                        | Beginning<br>Tax<br>Liability                      | Amount<br>Withheld or<br>Accrued | Amount<br>Paid   | Date<br>Paid | Check No.<br>or EFT | Ending<br>Tax<br>Liability |
|------------------------|--|----------------------------------|------------------|--------------|---------------------|----------------------------|
| <b>Federal</b>         |  |                                  |                  |              |                     |                            |
| Withholding            | 18,683.49  | 38,735.73                        | 37,824.50        | Provided     | Provided            | 19,594.72                  |
| FICA-Employee          | 13,998.54  | 28,430.03                        | 28,205.05        | Provided     | Provided            | 14,223.52                  |
| FICA-Employer          | 13,998.54  | 28,430.03                        | 28,205.05        | Provided     | Provided            | 14,223.52                  |
| Unemployment           | N/A  |                                  |                  |              |                     |                            |
| Income                 | N/A  |                                  |                  |              |                     |                            |
| Other:                 |  |                                  |                  |              |                     |                            |
| Total Federal Taxes    | 46,680.57  | 95,595.79                        | 94,234.60        |              |                     | 48,041.76                  |
| <b>State and Local</b> |  |                                  |                  |              |                     |                            |
| Withholding            | Multiple state and local W/H and other local taxes |                                  |                  |              |                     |                            |
| Sales                  | N/A  |                                  |                  |              |                     |                            |
| Excise                 | N/A  |                                  |                  |              |                     |                            |
| Unemployment           | Multiple states                                    |                                  |                  |              |                     |                            |
| Real Property          | 0.00   | 0.00                             | 0.00             |              |                     | 0.00                       |
| Personal Property      | 0.00   | 0.00                             | 0.00             |              |                     | 0.00                       |
| Other:                 |  |                                  |                  |              |                     |                            |
| Total State and Local  | 0.00   | 0.00                             | 0.00             |              |                     | 0.00                       |
| <b>Total Taxes</b>     | <b>46,680.57</b>                                   | <b>95,595.79</b>                 | <b>94,234.60</b> |              |                     | <b>48,041.76</b>           |

### SUMMARY OF UNPAID POSTPETITION DEBTS

Attach aged listing of accounts payable.

|   | Number of Days Past Due |             |             |             |             |                   |
|---|-------------------------|-------------|-------------|-------------|-------------|-------------------|
|   | Current                 | 0-30        | 31-60       | 61-90       | Over 90     | Total             |
| Accounts Payable                          |                         |             |             |             |             | 0.00              |
| Wages Payable                             | 240,382.00              |             |             |             |             | 240,382.00        |
| Taxes Payable                             | 60,226.00               |             |             |             |             | 60,226.00         |
| Rent/Leases-Building                      |                         |             |             |             |             | 0.00              |
| Rent/Leases-Equipment                     |                         |             |             |             |             | 0.00              |
| Secured Debt/Adequate Protection Payments |                         |             |             |             |             | 0.00              |
| Professional Fees                         | 0.00                    |             |             |             |             | 0.00              |
| Amounts Due to Insiders*                  |                         |             |             |             |             | 0.00              |
| Other:                                    | 329,121.00              |             |             |             |             | 329,121.00        |
| Other:                                    |                         |             |             |             |             |                   |
| <b>Total Postpetition Debts</b>           | <b>629,729.00</b>       | <b>0.00</b> | <b>0.00</b> | <b>0.00</b> | <b>0.00</b> | <b>629,729.00</b> |

Explain how and when the Debtor intends to pay any past-due postpetition debts.

\*"Insider" is defined in 11 U.S.C. Section 101(31).

In re KidsPeace National Centers of NA, Inc.  
Debtor

## ACCOUNTS RECEIVABLE RECONCILIATION AND AGING

| <b>Accounts Receivable Reconciliation</b>                          | <b>Amount</b> |
|--|---------------|
| Total Accounts Receivable at the beginning of the reporting period | 5,106,940.00  |
| + Amounts billed during the period                                 | 1,405,674.00  |
| - Amounts collected during the period                              | -1,588,676.00 |
| Total Accounts Receivable at the end of the reporting period       | 13,355.00     |
|  | 4,937,293.00  |

| <b>Accounts Receivable Aging</b>           | <b>Amount</b> |
|--|---------------|
| 0 - 30 days old                            | 2,033,471.00  |
| 31 - 60 days old                           | 1,030,472.00  |
| 61 - 90 days old                           | 184,020.00    |
| 91+ days old                               | 1,689,330.00  |
| Total Accounts Receivable                  | 4,937,293.00  |
| Amount considered uncollectible (Bad Debt) | -909,000.00   |
| Accounts Receivable (Net)                  | 4,028,293.00  |

## DEBTOR QUESTIONNAIRE

| <b>Must be completed each month</b>   | <b>Yes</b> | <b>No</b> |
|---|------------|-----------|
| 1. Have any assets been sold or transferred outside the normal course of business this reporting period? If yes, provide an explanation below.  |            | X         |
| 2. Have any funds been disbursed from any account other than a debtor in possession account this reporting period? If yes, provide an explanation below.  |            | X         |
| 3. Have all postpetition tax returns been timely filed? If no, provide an explanation below.  | X          |           |
| 4. Are workers compensation, general liability and other necessary insurance coverages in effect? If no, provide an explanation below.  | X          |           |
| 5. Has any bank account been opened during the reporting period? If yes, provide documentation identifying the opened account(s). If an investment account has been opened provide the required documentation pursuant to the Delaware Local Rule 4001-3. |            | X         |

## Exhibits

- A Bank Account Balances
- B Weekly Cash Flow
- C Monthly Financial Statement
- D Operating Account Bank Statement

(Exhibit C)

In re KidsPeace National Centers of NA, Inc.

|  | <i>Projected</i><br><b>Jan-13</b> | <i>Projected</i><br><b>Feb-13</b> | <i>Projected</i><br><b>Mar-13</b> | <i>Projected</i><br><b>Apr-13</b> | <i>Projected</i><br><b>May-13</b> | <i>Projected</i><br><b>Jun-13</b> |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| OF NEW ENGLAND                                 |                                   |                                   |                                   |                                   |                                   |                                   |
| <b>REVENUE</b>                                 |                                   |                                   |                                   |                                   |                                   |                                   |
| MEDICAID                                       | 58,829                            | 44,931                            | 30,547                            | 37,413                            | 37,913                            | 38,476                            |
| IN-STATE PUBLIC                                | 1,457,053                         | 1,328,747                         | 1,610,091                         | 1,386,247                         | 1,439,471                         | 1,412,750                         |
| OUT OF STATE PUBLIC                            | 3,291                             | 3,936                             | 3,535                             | 4,433                             | 3,770                             | 3,655                             |
| COMMERCIAL/SELF PAY                            | 1,308                             | 13,644                            | 12,551                            | 11,197                            | 7,245                             | 9,122                             |
| REVENUE WRITE-OFFS                             | (39,979)                          | (80,642)                          | (33,870)                          | (107,904)                         | 25,820                            | (52,189)                          |
| STATE FOOD REVENUE                             | -                                 | -                                 | -                                 | -                                 | -                                 | -                                 |
| <b>NET PATIENT REVENUE</b>                     | <b>1,480,502</b>                  | <b>1,310,616</b>                  | <b>1,622,854</b>                  | <b>1,331,386</b>                  | <b>1,514,219</b>                  | <b>1,411,814</b>                  |
| INTEREST INCOME                                | -                                 | -                                 | -                                 | -                                 | -                                 | -                                 |
| CONTRIBUTIONS                                  | 1,210                             | 7,146                             | 6,308                             | 1,271                             | 21,773                            | 9,171                             |
| GIFTS IN KIND                                  | -                                 | -                                 | -                                 | 6,650                             | 5,697                             | -                                 |
| GRANTS   | -                                 | -                                 | -                                 | -                                 | 858                               | -                                 |
| OTHER REVENUE                                  | -                                 | 160                               | 19,020                            | -                                 | 6,255                             | 9,660                             |
| <b>TOTAL REVENUE</b>                           | <b>1,481,712</b>                  | <b>1,317,922</b>                  | <b>1,648,182</b>                  | <b>1,339,307</b>                  | <b>1,548,802</b>                  | <b>1,430,645</b>                  |
| <b>EXPENSES</b>                                |                                   |                                   |                                   |                                   |                                   |                                   |
| SALARIES                                       | 417,934                           | 398,102                           | 445,909                           | 436,627                           | 435,411                           | 446,878                           |
| EMPLOYEE HEALTH                                | 49,986                            | 51,549                            | 82,333                            | 53,096                            | 39,459                            | 62,447                            |
| OTHER BENEFITS                                 | 28,354                            | 29,717                            | 5,009                             | (31,160)                          | 5,459                             | 5,447                             |
| PAYROLL TAXES                                  | 35,071                            | 30,797                            | 36,273                            | 46,503                            | 33,884                            | 37,253                            |
| SUPPLIES                                       | 3,338                             | 2,733                             | 11,523                            | 9,466                             | 11,511                            | 7,103                             |
| PROFESSIONAL SERVICES                          | 37,688                            | 10,700                            | 18,987                            | 26,902                            | 11,023                            | 12,134                            |
| TELEPHONE                                      | 8,428                             | 11,413                            | 7,157                             | 8,783                             | 11,311                            | 14,487                            |
| EQUIP RENTAL/MAINT                             | 5,327                             | 5,245                             | 4,903                             | 2,986                             | 2,729                             | 4,781                             |
| LEASE OF PROPERTY                              | 56,864                            | 47,994                            | 63,167                            | 69,380                            | 49,054                            | 54,904                            |
| UTILITIES                                      | 2,766                             | 3,571                             | 3,506                             | 2,159                             | 1,901                             | 3,535                             |
| INSURANCE                                      | -                                 | -                                 | -                                 | -                                 | -                                 | -                                 |
| TRANSPORTATION                                 | 29,657                            | 31,184                            | 33,867                            | 33,784                            | 49,071                            | 21,704                            |
| MEDICAL  | 347                               | 445                               | 705                               | 186                               | 535                               | 75                                |
| FOOD   | 1,626                             | 1,894                             | 1,562                             | 2,423                             | 1,774                             | 2,351                             |
| CLIENT INCIDENTALS                             | 13,418                            | 15,359                            | 14,068                            | 14,049                            | 14,138                            | 13,688                            |
| REPAIRS & MAINTENANCE                          | 2,462                             | 9,548                             | 1,207                             | 869                               | 1,017                             | 1,375                             |
| STAFF DEV/RECRUIT                              | 10,227                            | 25,161                            | 18,533                            | 13,677                            | 6,666                             | 16,924                            |
| DIRECT FAMILY COSTS                            | 590,657                           | 574,596                           | 596,084                           | 611,661                           | 590,243                           | 585,340                           |
| BAD DEBT EXPENSE                               | -                                 | -                                 | -                                 | -                                 | -                                 | -                                 |
| OTHER EXPENSE                                  | 5,064                             | 10,872                            | 4,808                             | 4,386                             | 3,087                             | 8,471                             |
| <b>TOTAL DIRECT EXPENSES</b>                   | <b>1,299,214</b>                  | <b>1,260,880</b>                  | <b>1,349,601</b>                  | <b>1,305,777</b>                  | <b>1,268,273</b>                  | <b>1,298,897</b>                  |
| EBITDA   | 182,498                           | 57,042                            | 298,581                           | 33,530                            | 280,529                           | 131,748                           |
| ADJUSTMENT                                     | -                                 | -                                 | -                                 | -                                 | -                                 | -                                 |
| DEPRECIATION/AMORT                             | -                                 | -                                 | -                                 | -                                 | -                                 | -                                 |
| DISPOSAL OF ASSETS                             | -                                 | -                                 | -                                 | -                                 | -                                 | -                                 |
| INTEREST                                       | -                                 | -                                 | -                                 | -                                 | -                                 | -                                 |
| RESTRUCTURING EXPENSES                         |                                   |                                   |                                   |                                   |                                   |                                   |
| EXTRAORDINARY ITEMS                            |                                   |                                   |                                   |                                   |                                   |                                   |
| MANAGEMENT FEES                                | 133,134                           | 118,813                           | 267,381                           | 168,675                           | 261,503                           | 181,193                           |
| BUILDING & EQUIP RENT                          | 7,399                             | 7,350                             | 7,441                             | 7,664                             | 7,224                             | 7,418                             |
| INTERCO INTEREST                               | 38,900                            | 38,900                            | 39,000                            | 39,000                            | 39,000                            | 68,000                            |
| <b>TOTAL OTHER EXPENSES</b>                    | <b>179,433</b>                    | <b>165,063</b>                    | <b>313,822</b>                    | <b>215,339</b>                    | <b>307,727</b>                    | <b>256,611</b>                    |
| EXCESS REV/(EXP)                               | 3,065                             | (108,021)                         | (15,241)                          | (181,809)                         | (27,198)                          | (124,863)                         |
| FTE (Residential/Other)                        |                                   |                                   |                                   |                                   |                                   |                                   |
| FTE (Foster Care)                              | 119                               | 125                               | 124                               | 125                               | 121                               | 128                               |
| AVG HOURLY PAY RATE                            | 19.84                             | 19.97                             | 20.24                             | 20.43                             | 20.28                             | 20.38                             |
| AVERAGE DAILY CENSUS (Residential/Other)       |                                   |                                   |                                   |                                   |                                   |                                   |
| AVERAGE DAILY CENSUS (Foster Care)             | 510                               | 513                               | 522.0666                          | 498                               | 488                               | 499                               |
| STAFF/CLIENT RATIO                             | 0.2                               | 0.2                               | 0.2                               | 0.3                               | 0.2                               | 0.3                               |
| PATIENT REV/CLIENT DAY (combined Residential/F | 93.6                              | 91.2                              | 100.3                             | 89.1                              | 100.1                             | 94.3                              |
| CONTRIBUTION/CLIENT DAY (combined Residentia   | 11.5                              | 4.0                               | 18.4                              | 2.2                               | 18.5                              | 8.8                               |

**ASSETS**

|                                       |             |             |             |             |             |             |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| CURRENT ASSETS                        |             |             |             |             |             |             |
| CASH-GENERAL                          | 8,761       | 8,513       | 8,513       | 8,257       | 8,257       | 7,927       |
| CASH-RESTRICTED                       | -           | -           | -           | -           | -           | -           |
| CASH-BOND                             | -           | -           | -           | -           | -           | -           |
| INSURANCE RESERVE                     |             |             |             |             |             |             |
| PLEDGE RECEIVABLE                     | -           | -           | -           | -           | -           | -           |
| ACCOUNTS REC-CLIENT BILLING           | 4,839,912   | 5,176,271   | 5,325,355   | 5,593,645   | 4,802,583   | 4,652,868   |
| ACCOUNTS REC-OTHER                    | 275,969     | 273,403     | 296,480     | 274,766     | 333,357     | 284,424     |
| ALLOWANCE FOR DOUBTFUL ACCTS          | (939,000)   | (1,013,000) | (1,026,000) | (1,085,000) | (938,000)   | (909,000)   |
| NET ACCOUNTS RECEIVABLE               | 4,176,882   | 4,436,674   | 4,595,836   | 4,783,412   | 4,197,940   | 4,028,293   |
| PREPAID EXPENSES                      | 13,664      | 13,994      | 14,325      | 14,655      | 14,961      | 15,311      |
| ASSETS HELD FOR SALE (NET)            |             |             |             |             |             |             |
| INVENTORY                             | -           | -           | -           | -           | -           | -           |
| DUE FROM AFFILIATE                    | -           | -           | -           | -           | -           | -           |
| TOTAL CURRENT ASSETS                  | 4,199,307   | 4,459,181   | 4,618,673   | 4,806,324   | 4,221,158   | 4,051,531   |
| LONG TERM ASSETS                      |             |             |             |             |             |             |
| LAND                                  | -           | -           | -           | -           | -           | -           |
| LAND IMPROVEMENTS                     | -           | -           | -           | -           | -           | -           |
| FURNITURE & FIXTURES                  | -           | -           | -           | -           | -           | -           |
| EQUIPMENT                             | -           | -           | -           | -           | -           | -           |
| BUILDINGS                             | -           | -           | -           | -           | -           | -           |
| CONSTRUCTION IN PROGRESS              | -           | -           | -           | -           | -           | -           |
| OTHER DEPRECIABLE ASSETS              |             |             |             |             |             |             |
| LESS:ACCUMULATED DEPRECIATION         | -           | -           | -           | -           | -           | -           |
| TOTAL PP&E                            | -           | -           | -           | -           | -           | -           |
| INSURANCE PROCEEDS RECEIVABLE         | -           | -           | -           | -           | -           | -           |
| BOND ISSUANCE COSTS                   | -           | -           | -           | -           | -           | -           |
| TOTAL LONG TERM ASSETS                | -           | -           | -           | -           | -           | -           |
| TOTAL ASSETS                          | 4,199,307   | 4,459,181   | 4,618,673   | 4,806,324   | 4,221,158   | 4,051,531   |
| <b>LIABILITIES &amp; FUND BALANCE</b> |             |             |             |             |             |             |
| LIABILITIES                           |             |             |             |             |             |             |
| ACCOUNTS PAYABLE                      | 298,358     | 213,488     | 252,907     | 347,136     | 315,766     | 329,121     |
| A/P SUBJECT TO COMPROMISE             |             |             |             |             |             |             |
| ACCRUED ADJUSTMENTS                   | -           | -           | -           | -           | -           | -           |
| ACCRUED INVENTORY                     | -           | -           | -           | -           | -           | -           |
| ACCRUED VACATION                      | 26,291      | 26,291      | 26,291      | 26,291      | 26,291      | 26,291      |
| ACCRUED PAYROLL                       | 255,337     | 267,706     | 328,738     | 370,346     | 231,023     | 274,317     |
| ACCRUED PENSION                       | -           | -           | -           | -           | -           | -           |
| PENSION SUBJECT TO COMPROMISE         |             |             |             |             |             |             |
| BOND INTEREST PAYABLE                 | -           | -           | -           | -           | -           | -           |
| DUE TO/DUE FROM                       | 10,191,417  | 10,636,642  | 10,717,584  | 10,951,207  | 10,563,932  | 10,462,518  |
| REVENUE BONDS PAYABLE                 | -           | -           | -           | -           | -           | -           |
| BONDS SUBJECT TO COMPROMISE           |             |             |             |             |             |             |
| NOTES PAYABLE                         | -           | -           | -           | -           | -           | -           |
| CAPITAL LEASE                         | -           | -           | -           | -           | -           | -           |
| MORTGAGES PAYABLE                     | -           | -           | -           | -           | -           | -           |
| NEW LENDER REVOLVER                   |             |             |             |             |             |             |
| NEW LENDER TERM FACILITY              |             |             |             |             |             |             |
| OTHER LIABILITIES                     | 9,030       | 4,196       | (2,461)     | (2,461)     | (2,461)     | (2,461)     |
| TOTAL LIABILITIES                     | 10,780,433  | 11,148,324  | 11,323,058  | 11,692,519  | 11,134,551  | 11,089,786  |
| FUND BAL-UNRESTRICTED                 | (6,708,535) | (6,823,554) | (6,843,049) | (7,024,849) | (7,074,118) | (7,206,461) |
| FUND BAL-TEMP RESTRICTED              | 127,409     | 134,411     | 138,664     | 138,654     | 160,725     | 168,206     |
| TOTAL FUND BALANCE                    | (6,581,126) | (6,689,143) | (6,704,385) | (6,886,195) | (6,913,393) | (7,038,255) |
| TOTAL LIAB & FUND BALANCE             | 4,199,307   | 4,459,181   | 4,618,673   | 4,806,324   | 4,221,158   | 4,051,531   |